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DATE Feb. 23, 1966

COPY NO.

OPERATIONS COORDINATING BOARD

Washington, D.C.

PROGRESS REPORT ON NSC 5409 (SOUTH ASIA)

REFERENCE: NSC Action No. 1052.

OCB FILE NO. 48

NSC review(s) completed.

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WARNING

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the belief that the United States was trying to pressure India in the negotiations with respect to the possible continuation of the Air Transport Agreement between the two countries. The Indian Ambassador also expressed concern to the State Department. The tension was relieved when Secretary Dulles on January 6 authorized license for export of the Super Constellation then ready for delivery. A repetition of this incident was avoided in February when Secretary Dulles on February 14 authorized licensing for export of the fourth and fifth Super Constellation.

4. The formal launching in India of the Industrial Credit and Investment Organization did not take place in January as anticipated in paragraph 21 of the Annex, due to minor complications. However, the corporation prospectus has been issued, and formal launching, including subscription of necessary capital, is expected in the near future.

5. Implementation of economic and technical aid programs for South Asia will in the future be guided by NSC 5506 which was approved by the Council on February 3, 1955.



Elmer B. Staats
Executive Officer

Attachment:

Progress Report on NSC 5409
(South Asia), dated 2/23/55.

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February 23, 1955

PROGRESS REPORT ON NSC 5409
UNITED STATES POLICY TOWARD SOUTH ASIA

(Policy Approved by the President March 6, 1954)

(Period of Report: June 16, 1954 - Dec. 15, 1954)

A. SUMMARY OF MAJOR ACTIONS

1. There have been no significant omissions or deficiencies in implementation of NSC 5409. Listed below is a summary of significant actions taken.

2. Pakistan signed the Manila Pact. In addition to this demonstration of its anti-communist and pro-collective security policy, Pakistan banned the Communist Party and limited the travel of Soviet representatives within its borders.

3. The United States substantially increased its economic assistance programs for Pakistan. Deteriorating economic conditions in Pakistan had led to the dispatch of the Heinz Mission which reported existence of severe economic strains, the continuance of which would increasingly threaten Pakistan's political and economic stability. An emergency assistance program resulted. This program was in addition to technical and developmental assistance, which has been continued, and to special flood relief which was sent to both East and West Pakistan. The total aid figure for fiscal 1955, exclusive of MDAA assistance, amounts to over \$105 million. The U.S. is proceeding to approach certain Commonwealth countries on the possibilities of their aiding Pakistan in this period of crisis. The Canadian Government informed us that it was allocating Pakistan \$1 million in emergency commodity aid. A spectacular airlift into the flooded areas of East Pakistan by the U.S. Air Force of supplies and U.S. Army medical personnel made a very favorable impression on the people of East Pakistan.

4. Implementation of the Military Defense Assistance Agreement with Pakistan was begun. A MAAG mission arrived in Pakistan in early August. Following pleas of Prime Minister Mohammed Ali during his visit, a substantial increase was made in the FY 55 funds allotted for military assistance to Pakistan, originally set at only \$29.5 million. The first U.S. shipment of military hardware under the new program arrived in Karachi in November.

5. An emergency flood relief program amounting to about \$1.3 million was established for Nepal. It was gratefully received and had a highly favorable public relations impact.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

March 14, 1955

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: Progress Report on NSC 5409 (South Asia)

The attached second Operations Coordinating Board Progress Report on NSC 5409, "United States Policy Toward South Asia," dated February 23, 1955, was noted by the National Security Council on March 3, 1955, Action No. 1348.

The previous draft of this report, dated February 14, 1955, is obsolete and may be destroyed in accordance with the security regulations of your agency. The last sentence of paragraph 13 a., page 4, was deleted from the report.


Elmer B. Staats
Executive Officer

Attachment:

Executive Officer, OCB, Memo to
NSC, on above subject, dated
2/24/55, with attachment as listed.

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OPERATIONS COORDINATING BOARD
Washington 25, D. C.

February 24, 1955

MEMORANDUM FOR: Mr. James S. Lay, Jr.
Executive Secretary
National Security Council

SUBJECT: Progress Report on NSC 5409 (South Asia)
(Policy Approved by the President, March 6, 1954)

There is attached the second Progress Report by the Operations Coordinating Board on NSC 5409, "United States Policy Toward South Asia," covering the period from June 16, 1954 through December 15, 1954. On February 23, 1955, the Operations Coordinating Board concurred in the Progress Report for transmittal to the National Security Council.

In considering the report the Board noted the following significant developments since the cutoff date of the report:

1. The 1946 Air Transport Services Agreement with India terminated on January 14, 1955 in accordance with its terms and the termination notice given by the Government of India on January 14, 1954. It had not been found possible to reconcile divergent Indian and United States points of view. The Government of India has issued temporary permits authorizing continued operation of two round-trip flights weekly to and through India, each by Pan-American and Trans-World Airlines, and has expressed the hope that negotiations leading to a more permanent arrangement may begin in the near future. (Par. 15)
2. The Government of India agreed on December 30 to extend the five-year period of the Beryl Agreement between India and the United States into a six-year period ending on September 30, 1956, the Agreement being automatically renewable thereafter for further five-year periods, unless either party gives notice by September 30, 1955 of its intention to terminate the Agreement by September 30, 1956.
3. U. S. delay in licensing for export the third of five Super Constellations which had been ordered by Air-India International led to wide criticism in the Indian press which expressed

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6. High U.S. officials held discussions in Washington with the Prime Ministers of Pakistan and Ceylon, the Vice President of India and a number of other cabinet members of South Asian countries.

7. During the visit of the Prime Minister of Ceylon, U.S. officials explained that the Battle Act precluded granting of aid to Ceylon unless Ceylon was able to show cooperation with the U.S. within terms of the Act, and unless such cooperative action did not consist at least in reduction of rubber shipments to Communist China with a view towards their ultimate elimination. The Prime Minister stated he would look into the matter to see if they could get out of the "Chinese mess." Despite his failure to obtain immediate tangible benefits for Ceylon, the Prime Minister seemed pleased with the results of his visit.

8. In December India and Pakistan resumed under the aegis of the IBRD discussion of a plan for settlement of the dispute over distribution of the river waters supplying certain irrigation canals. The Prime Ministers of Pakistan and of India also have indicated readiness to make a renewed effort to settle other outstanding India-Pakistan disputes, including that over Kashmir.

9. The U.S. continued a vigorous information program. Sustained emphasis on the use of atomic energy for peace served as a build-up for exhibits due to open in India and Pakistan. USIA India increased its press placement of anti-communist material, opened two new reading rooms, and pushed the college contact and book translation programs. In Pakistan, a "country team" campaign was launched and plans were drawn for a concerted anti-communist effort similar to that in Thailand.

10. The de facto transfer of power under friendly circumstances from France to India over the remaining French enclaves in India during November should result in greatly improved Indo-French relations with an indirect benefit on Indo-U.S. relations.

B. OPERATIONAL CONSIDERATIONS BEARING ON POLICY

11. The policy is considered timely, complete and appropriate. No changes are recommended at this time. Note is made of the revision of NSC 5409 with respect to Afghanistan approved December 11, 1954.

C. EMERGING PROBLEMS AND FUTURE ACTIONS

12. Governmental Instability in Pakistan

Pakistan has never had a general election. The power of the Central Government rests on the Army, a few leading political

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figures and the Civil Service. This was demonstrated by events beginning September 21 when the Constituent Assembly of Pakistan tried to strip the Governor General of his power to appoint and remove Cabinet Ministers at will. Following the return of Prime Minister Mohammed Ali from the United States to Karachi on October 23, the Governor General, sure of support of the Army, the Civil Service, and certain important political leaders, dissolved the Constituent Assembly and forced Ali to reform his cabinet. The shake-up brought into the cabinet two powerful personages, General Ayub as Minister of Defense (but remaining as Commander-in-Chief of the Army) and General Iskander Mirza as Minister of the Interior. Ali appears to remain Prime Minister only by sufferance of the Governor General, Ayub, and Mirza, chief leaders of the present ruling group. Unless he "cooperates", he is likely to be replaced at any time. This unstable political situation is aggravated by Pakistan's grave economic needs to which the Government must give the most careful attention if it is to avoid serious popular discontent. The present insufficiency of Pakistan's resources to maintain a politically necessary level of development along with defense expenditures places Pakistan's economic and political foundations in grave danger. While it is obvious that economic progress over a period of years would ameliorate this condition, it is equally obvious that even with the optimum Pakistan effort and U.S. aid, the situation will be critical for at least three years. U.S. assistance is now and will continue for some time to be particularly important as a means of relieving economic strains, stimulating industrial and agricultural development and leading to development of the stable economic base necessary for political stability. Our military aid is important as a means of strengthening the Central Government's control and of creating strength in Pakistan and the general area. At the same time, it is apparent that in the foreseeable future, Pakistan's budget cannot bear any additional investment in the military over the substantial amounts now going annually into defense.

13. Trend Toward Establishment of Closer Relations Between South Asian Countries and Communist China

a. India has certain political, religious and cultural affinities with China, the benefit of which redounds to the communist regime. In addition, India wants to develop fruitful trade relations with Communist China, but at the same time is apprehensive of Red China's political and territorial ambitions. These factors are important elements of India's policy of non-alignment, but nevertheless they may lead to a strengthening of ties between India and Communist China, perhaps in part as a result of Indian efforts at appeasement. On the other hand, Nehru's recent visit to Peking and his personal contact with conditions such as the absence of a free press, the strait

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jacketed communist mentality, the communist discipline, and the evidence of Soviet assistance which he found may have had a sobering effect upon him.

b. The consolidation of Communist control in Tibet has been followed by attempts of the Communist Chinese Government to open diplomatic relations with Nepal. Nepal may handle the representation problem by accrediting the Chinese representative in New Delhi also to Katmandu. The opening of a Chinese Mission in Katmandu certainly would be followed by increased communist subversive activities, but it seems likely in any event that the formal establishment of diplomatic relations between the two countries will be followed by increased communist influence in Nepal.

c. Some time ago Indonesia began efforts for an Afro-Asian Conference to be attended by representatives from most of the African and Asian countries. It now seems probable that the conference will be held next April. There is a serious probability that Communist China will attempt to turn the conference into a united expression of anti-U.S. and anti-Western sentiment on every conceivable issue. It seems certain that all the South Asian nations will attend.

14. The weakness and confusion which have existed in the Nepalese Government since the overthrow of the Ranas in 1951, in recent months have become even worse.

15. Soviet Efforts at Economic Penetration

a. U.S. policy has been developed to counter Soviet attempts at economic penetration of Afghanistan by providing increased U.S. economic assistance for projects that will reduce the attractions of Soviet aid and draw Afghanistan closer to the free world.

b. In India further evidence of Soviet desire for economic penetration and concern with success of U.S. programs in the area may be found in the recent negotiations between India and the U.S.S.R. for construction of a steel mill in India by Soviet technicians with Soviet funds lent for that purpose.

16. Further difficulties in U.S.-Indian relations can be expected. During the period there were several irritating developments. Krishna Menon was particularly trying in the UN. Two U.S. ships were detained in Bombay for alleged violation of an Indian law which prohibits taking military cargo into or out of India. Through a misunderstanding,

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some U.S. Air Force transport planes carrying flood relief to East Pakistan encountered administrative difficulties in obtaining clearances from the Government of India to utilize air facilities, or to overfly India. Finally, the U.S.-Indian Civil Air Agreement would expire on January 14, 1955, and at the end of the year no new agreement had been reached which would enable U.S. air lines to continue operations to India.

D. EXTENT OF AGENCY INTERESTS

17. No other agencies participated in Working Group discussions other than OCB member agencies.

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ANNEX "A"

DETAILED DEVELOPMENT OF MAJOR ACTIONS

There have been no significant omissions or deficiencies in implementation of NSC 5409. Significant substantive actions taken in support of NSC 5409 are listed below. (Numbers shown below refer to paragraph numbers in NSC 5409. Courses of actions are quoted.):

Para. 15. "Give particular emphasis to the maintenance of cordial official and personal relations in all areas of contact and where possible increase those areas of association."

Prime Minister Mohammed Ali of Pakistan came to the United States in October and spent three days of his time as a guest of the President. He was accompanied by two members of his cabinet and the Commander-in-Chief of the Pakistan Army. The talks between the Prime Minister and his advisers on the one hand and U.S. high officials on the other, including the Secretaries of State and Defense and Director of FOA, resulted in increased understanding of the problems facing each country in advancing common objectives.

Vice President Radhakrishnan of India made an informal visit to the United States in November and came to Washington to present an ivory gavel from the Indian Upper House of Parliament to the U.S. Senate. The Indian Vice President made the presentation in the Senate chamber and addressed the Senators present. He was entertained at luncheon by the Vice President of the United States and later called on the President. An exchange of warm personal letters between the President and Prime Minister Nehru was an outcome of Radhakrishnan's visit.

The Nepalese Minister for Planning and Development, Commerce and Industry, Food and Agriculture made an informal visit to Washington in September. He was entertained at an official luncheon and conferred with top FOA and State Department officials.

(See para. 61 with regard to the visit of the Prime Minister of Ceylon.)

Para. 16. "Vigorously pursue effective information and education programs designed to broaden support for actions consistent with U.S. policies and to diminish susceptibility to communist appeals."

During the period allocations were made for the exchange of persons program in South Asia for Fiscal Year 1955. A total expenditure

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of \$1,086,939 is planned for FY 1955, \$744,000 under P.L. 584 (Fulbright) and \$342,939 under P.L. 402 (Smith/Mundt). India and Pakistan have high priority in these programs and have been allotted \$581,176, and \$349,983, respectively. There is no Fulbright program in Afghanistan, but one is expected in FY 1956. It is expected that in fiscal 1955 some 378 lecturers, research scholars, teachers, students and leaders in the fields of journalism, the arts, cultural affairs, government, political affairs, etc., will be exchanged between the United States and the countries of South Asia.

Planning was completed for the FY 1956 exchange of persons budget which contemplates roughly \$200,000 over and above this year's budget for the area. In addition the P.L. 48 program (India Wheat Loan Educational Exchange Program) was activated during the period with the assignment of a highly qualified officer to New Delhi to put the program into operation.

Stepped-up activity in the press placement of anti-communist material met with considerable success in India. In Bombay, for example, during October alone a total of 957 column inches of such material was carried by the press. Copies of "Problems of Communism" were distributed to influential persons throughout the country. Ten thousand copies of a pamphlet "From My China Diary" by Shastri were distributed through an Indian publisher.

Continued emphasis was placed on the college contact program. Interest was engendered in a new direction with the visit of two American athletes, Bob Richards and Sammy Lee. Reports indicate that these Olympic champions won a generally enthusiastic reception and through their behavior evoked an immense amount of good will. Also in the line of athletics was the tour of two American track coaches, Hamilton and Doherty, and their participation in the Indian Olympic training camp.

The theme of atomic power for peaceful uses has been pressed in India as an appropriate build-up for the atoms-for-peace exhibit due to be opened in February. Plans are being laid for joint sponsorship of the exhibit with the Indian Government, and it is hoped that Prime Minister Nehru will be able to attend the opening ceremony. A similar exhibit will be shown in Pakistan.

Another phase of American life gained attention as the United States handicrafts exhibit toured India. Films and lectures were used to supplement the display.

In India two reading rooms were opened, one at Guntur and the other at Patna. It is hoped that eight more can be in operation by the end of the fiscal year. An experimental project involving a temporary reading room at Nagpur was considered highly successful.

An excellent report on the press of Ceylon came from Colombo in response to inquiries initiated by the OCB. The analysis of basic

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causes of anti-Americanism in the Ceylon press provided not only an insight into domestic journalism, but gave a reassuring account of steps being taken to improve the situation, such as personal contacts with key editors and publishers, and preparation of material specially tailored to the needs of specific papers.

The American Reporter, a bi-weekly newspaper with a circulation in India of 311,000, has made some editorial improvements designed to increase its effectiveness. One arrangement which has proved highly successful involves the placing of exclusive stories with leading Indian newspapers and the reprinting of these articles in the American Reporter with attribution to the Indian journal.

The book translation program has been used both to present the positive values of democracy, in such titles as "The Goodly Heritage" and "Classless Capitalism", and to expose the methods and motives of communism, in such titles as "Conquest by Terror" and "Rise of Modern Communism". In India alone thirty-three books, about evenly divided between the two categories above, were published in local languages.

Plans have been drawn up for a concerted anti-communist effort in Pakistan along the lines of that made in Thailand. This ties in with a "country team" effort designed to make use of all Americans in the country. The unstable political situation has brought out the need for helping Pakistanis gain confidence in their own economic potential and at the same time reminding them of the danger of communist infiltration.

No great change is foreseen in the Afghanistan program, although plans are being readied for a moderately intensified information activity in conjunction with possible increase in economic aid.

United Nations activities received attention throughout the area, with emphasis on the speeches of Secretary Dulles and Ambassador Lodge before the UN. USIA/Nepal used as its dominant theme, "U.S. and UN Workers for Peace," and called specific attention to Russia's veto on Nepal's admission to the UN.

Para. 17. "Encourage greater participation in all UN activities by South Asian countries which are members of the UN."

Zafrulla Khan was elected to fill the vacancy in the International Court of Justice left by the death of the Indian representative. Zafrulla's election probably would not have taken place except for active U.S. support of his candidacy.

On the other hand, the United States found it necessary to support another country for the seat on ECOSOC which Afghanistan earnestly desired.

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Para. 18. "Assist through the UN and by other feasible means in the settlement of disputes between the various countries."

United States participation in the United Nations - administered cease fire in Kashmir ended on December 6, 1954. The U.S. representatives were withdrawn as their normal tours ended and were not replaced because of Prime Minister Nehru's objections following the conclusion of the U.S.-Pakistan MDA agreement.

The World Bank talks with India and Pakistan on distribution of the Indus waters, which had been broken off, were renewed in December. There has been little progress, however, and the Pakistanis are showing further dissatisfaction with the Bank's plan.

We have continued to try to play an unobtrusive role in encouraging settlement of Afghanistan's dispute with Iran over uses of the waters of the lower Helmand River and in discouraging Afghanistan's anti-Pakistan activity.



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Para. 20. "Assist the governments of the area to develop their natural resources, particularly agricultural, and their basic industrial potential, including the provision of technical assistance and limited economic aid."

The FOA programs for all countries in South Asia are directly consistent with the objective, though through FY 1955 the programs in Afghanistan and Nepal are limited to technical assistance efforts. FY 1955 Technical Assistance funds in the amount of \$1.6 million were allotted to the Afghanistan Mission for the continuation of existing projects. In the Helmand Valley the program is being strengthened in all phases of Community Development, including agriculture and public administration. An expanded contract was signed with Wyoming University to provide for an agricultural research and demonstration project and the establishment and operation of an Institute of Applied Science, and expansion of the Columbia Teachers College Contract is being considered. Additionally, there is under active consideration the problem of assisting in meeting the civil aviation needs of the country. In November the Government of Afghanistan finally took the necessary initial action of approving the \$18.5 million Export-Import Bank loan which had been authorized months before. The major portion of the loan is for use in connection with Helmand Valley development. The Afghans have indicated unwillingness to proceed with

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the road maintenance unit to be provided for by the loan because of differences with American contracting firm of Morrison-Knudsen.

In Nepal the limited magnitude of the activities is suggested by the allotment of some \$780,000 in Technical Assistance funds for FY 1955. Additionally, flood relief activities were launched as indicated in Para. 22. The technical assistance activities are concentrated in the agriculture, community development and education fields.

FOA in Pakistan is continuing Technical Cooperation projects in Agriculture, Natural Resources, Community Development and Education. Four college contracts are now in operation and a fifth with New Mexico A & M is ready to be signed. Assistance will be augmented by a greatly expanded Defense Support program, details of which are now being planned. FOA will continue participation in basic development projects, including the Taunsa Barrage, and new projects consistent with the objective are being developed, including civil aviation. During the period a total FY 1955 program of over \$105 million was authorized (see Para. 22) providing \$65.5 million Defense Support (including flood relief) and \$5.3 million Technical Assistance under P.L. 665, and \$35 to \$40 million agricultural commodities under P.L. 480. Of the Defense Support funds, \$20 million will be a loan. About \$9 million in commodities will be given Pakistan under Title II of P.L. 480 for relief and rehabilitation. Under Title I \$10 million will be for loans to promote trade and economic development; \$2 million to help develop new markets for U.S. agricultural products; \$14.46 million will be used to procure military equipment, materials, facilities and services for the common defense, and \$2.94 million will be used to pay U.S. obligations in Pakistan. Agreements on these items are being negotiated.

In India for FY 1955 \$15.1 million in technical assistance and \$60.5 million development assistance funds have been authorized. The GOI has agreed that \$45 million of the latter will be repaid to the U.S. Half of the development assistance funds will be taken up in agricultural commodities, and it is anticipated that substantial additional quantities of agricultural commodities will be disposed of under P.L. 480. All the FOA activities are parts of the total India Five Year Plan development involving much larger sums. Some guarded optimism about India's economic progress seems justified. Since 1949-1950 food grain output has risen some 21%, about a third attributable to Five Year Plan activities with FOA help. There is good response at the grass-roots to the far-reaching community development program, now reaching over 40,000,000 rural people. Industrial production is up some 40% since 1951. However, unemployment is of serious proportions.

Implementation of economic and technical assistance programs in the various countries is proceeding more slowly than anticipated, although it should be recognized that the nature of the programs is such that time-lags in implementation are inherent. The promulgation last fall by FOA of "Operation Blueprint", the continuing review of procurement procedures, which is at present being subjected to another

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thorough review, and intensive technician recruitment efforts over the past six months are expected to ameliorate the programming, procurement and personnel problems which have played a large part in the implementation delays. Additionally, however, for the FY 1955 program new facets were introduced in the form of loan requirements for both Pakistan and India and PL 480 for Pakistan, as well as the inclusion of Section 402, PL 665 program for India and the initiation of the large commodity component in the Defense Support program for Pakistan. The necessity for inter-agency policy development coupled with the problems of negotiating on these new bases with the governments involved had a major effect in delaying early initiation of these programs. The problems have largely been resolved and aggressive action is being taken to implement the programs, in view of the serious economic problems in the area, the Soviet efforts at economic penetration and the need to strengthen the internal stability and defense of the area.

Consideration has recently been given to resuming an aid program in Ceylon (the start made in 1951 being halted by Communist China trade). No decisions have been made, pending review of Battle Act problems.

The Department of State has been pressing forward, with other interested agencies, on the important questions involved in NSC 5429/2 and 5422/2, dealing with an Asian economic grouping and the national security interests involved in the possible acceleration of the rate of economic growth in underdeveloped countries.

Para. 21. "Foster South Asian conditions and governmental policies favorable to the investment of indigenous and foreign private capital in such economic development of the area."

To date little progress has been made in Afghanistan on the policy. The Afghans have made some overtures which indicate an interest, and there have also been a number of inquiries from American concerns which indicate their interest in investment possibilities in the country. Positive steps are needed to foster Afghan conditions and to encourage governmental policies more favorable to the investment of indigenous and foreign private capital.

In Pakistan agreements are now being worked out with the Pakistan Government under which increased financial aid will be used to purchase urgently needed raw materials and consumer commodities in order to bolster Pakistan resources and assure economic and political stability. In this way it is hoped that previous investment efforts will produce more results and additional investment will be encouraged.

Industry and investment advisers on the staffs of the missions in both Pakistan and India are working with the governments and the private sector to enhance these activities. In addition, it is anticipated that shortly a Treaty of Friendship and Commerce will be concluded between Pakistan and the U.S. which will facilitate accomplishment of our objectives.

For India, the World Bank had announced approval of a loan which will be used for the launching in January of the Industrial Credit

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and Investment Corporation with a total of \$35 million (in dollars and rupees) initial capital. Sources of equity capital will be as follows, with corresponding voting weight on the corporation's board: Indian-70%; British 20%; U.S.-10%. The World Bank will provide a \$10 million line of credit. FOA and GOI have agreed to make \$15 million in rupee counterpart available to the corporation's capital funds on a basis of deferred repayment to the GOI. The corporation should help materially to encourage accumulation of private capital and channeling it into new and expanded businesses, and is so organized as to permit expansion if initial operations are successful.

Para. 22. "Be prepared to extend emergency aid as circumstances justify on a case-to-case basis to alleviate unexpected food shortages or the effects of natural disasters."

During the period we extended emergency flood relief assistance to Pakistan, India and Nepal. As a result of the cooperative effort of the various agencies involved, the program for Pakistan was carried out with striking speed and effectiveness. The Department of Defense, particularly the Air Force, played an especially important role. India received about \$100,000 in medical supplies. Nepal was granted flood relief amounting to about \$1.3 million. Some \$5.5 million was authorized for Pakistan.

During the period deteriorating economic conditions in Pakistan led to the dispatch of the Heinz Mission for a special study. As an outcome of that Mission's recommendations, an emergency program of assistance amounting to some \$76 million (included in fiscal 1955 total of over \$105 million) was agreed for Pakistan. The special relief will come partly from Mutual Security funds and partly under the Agricultural Trade Development and Assistance Act. This emergency assistance was made particularly effective by the cooperative action of the various government agencies involved, which made possible a public announcement of our assistance at the close of the visit of the Pakistan Prime Minister.

Para. 23. "Encourage and assist where possible South Asian states to expand their trade with friendly neighboring countries, with the United States, and with other countries of the free world."

(See paragraphs 20 and 21)

Para. 24. "Continue diplomatic psychological and propaganda efforts to discourage and where possible prevent shipment of strategic materials to the communist bloc."

Although confronted with such obstacles as India's trade agreements with the Chinese Communists, we have continued with varying degrees of success our efforts to discourage and where possible prevent shipments of strategic materials to the communist bloc. As a result of our previous diplomatic efforts, as in the case of the thorium nitrate problem, we are hopeful that India will prevent shipments of gasoline to Tibet from becoming a serious problem.

We also are hopeful that our conversations with the Prime Minister of Ceylon on his recent visit may help bring about a change in Ceylon's

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rice-rubber trade with Communist China.

Para. 26. "As politically feasible, seek to obtain (a) the use of military and strategic facilities in South Asia, including communications, transit and base rights and (b) the right to operate forces in the area upon the threat of and during general hostilities."

Requirements for U.S. Army, Navy and Air Force communication facilities in Ceylon still exist. In addition, the U.S. Air Force has a need for air base transit rights in Ceylonese air fields. In view of the continued unfavorable situation resulting from (1) Ceylon's rice-rubber contract with Communist China; (2) Ceylon's reluctance to join the Manila Pact; and (3) India's unfavorable attitude toward the development of any U.S. interests in the area, no progress has been made in this direction. (Also see Summary)

Para. 27. "Encourage participation of the nations of South Asia in regional defense arrangements coordinated with those in adjacent areas."

Pakistan was encouraged to participate in the Manila Conference in September, was a signatory of the Pact, has participated actively in the Working Committee and it is anticipated will in due course ratify the Pact.

The Ceylonese Government is interested in the Pact, but has not joined because of the opposition of the Ceylonese public. At the same time, it has not completely foreclosed the possibility of adherence at some future time.

Para. 28. "Provide to selected South Asian nations limited military aid, reimbursable or grant, contributing to the maintenance of internal security and the defense of the area."

Following signing of our Mutual Defense Assistance Agreement with Pakistan last May, a MAAG was set up in Pakistan. The first shipments of military hardware arrived in November.

Partly as an outcome of the Mohammed Ali visit the President directed that our initial (fiscal 1955) military assistance program for Pakistan be increased, and it was raised from about \$30 million to about \$50 million.

Para. 29. "Utilize the above political, economic and military courses of action whenever necessary and practicable to encourage cooperation with the United States in attaining its objectives in the area."

In view of the implications with respect to the Battle Act of Indian exports of gasoline to Tibet, we are hopeful that recent administrative action by India will stop the trade. (See also Para. 24.)

Para. 32. "Recognize that India exerts a growing influence in world affairs, (particularly in UN matters and in issues between the United States and the Soviet bloc) while avoiding actions which appear to support India as the leader of the free Asian nations."

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India's activity in the UN, its role in the Indochina Supervisory Commission and the part which it plays with respect to Communist China make it obvious that India's influence in world affairs is growing. At the same time, our sponsorship of the Manila Pact and our military assistance to Pakistan show that we do not support India as the leader of the free Asian nations.

Para. 34. "Make clear to India that by providing military assistance to Pakistan, the U.S. is not seeking to make Pakistan the dominant state of South Asia."

The previous progress report referred to President Eisenhower's letter to Prime Minister Nehru regarding U.S. military assistance to Pakistan as well as to other steps we had taken to mitigate Indian apprehensions. Furthermore, we have provided for another substantial aid program for India in this fiscal year. Nevertheless, our military aid to Pakistan continues to rankle in Indian minds and we recognize that this condition may last for an indefinite future period.

Para. 40. "Recognize that for the present India's policy of 'non-involvement' will continue; and make use of India as a mediator when it is in U.S. interests."

In the case of the eleven U.S. airmen held by the Chinese Communists, we have informed India of the facts, and India has made diplomatic efforts to obtain the release of the men.

Para. 44. "Support the present Government of Pakistan so long as it remains friendly to the United States, and seek to insure that any successor government is not Communist controlled and is friendly to the United States."

(See Summary of Major Actions)

Para. 45. "Continue and increase close consultation with the Government of Pakistan on matters of policy and encourage it to consult more frankly with us."

(See Summary of Major Actions)

Para. 46. "In carrying out U.S. policies in South Asia, make maximum use of Pakistan's favorable attitude toward the West."

(See Summary of Major Actions)

Para. 47. "Seek greater participation of Pakistan in a common front against communism."

(See Summary of Major Actions)

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Para. 48. "Make clear to Pakistan that our objective in the Kashmir issue is a solution acceptable to both India and Pakistan and that in this issue we are not prepared to support either country against the other."

(See Summary of Major Actions)

Para. 49. "Encourage Pakistan's participation in any defense association which is judged to serve the interests of the United States. Priority should be given to the establishment of such an arrangement between Pakistan and Turkey."

(See Summary of Major Actions)

Para. 50. "Seek to insure that in the event of general war Pakistan will make available manpower, resources and strategic facilities for mutual defense efforts with the West."

(See Summary of Major Actions)

Para. 51. "Give special consideration to Pakistan in providing military assistance, including grant, in view of Pakistan's attitude and key position among the countries of South Asia with respect to military collaboration with the West."

(See Summary of Major Actions)

Para. 53. "Encourage the growth of closer economic and political relations between Afghanistan and Pakistan, thus creating conditions favorable to settlement of the Pushtunistan dispute and strengthening Afghanistan to enable it better to resist Soviet penetration."

Recently the Afghan Foreign Minister and the Ambassador to the U.S. have stressed heavily Afghanistan's desire for a settlement of the Pushtunistan problem indicating that close relations with Pakistan would inevitably follow. The implication has been that the U.S. should persuade Pakistan to take a more "reasonable" attitude. In response we have informed the Afghans that we do not see how we can assist them in obtaining the kind of settlement they would like. At the same time, we have avoided encouraging the Pakistanis to assume an intransigent attitude on this question.

Para. 61. "Endeavor to maintain the friendly relationship between the United States and Ceylon which continues

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despite the strains imposed by Ceylon's trade in rubber with Communist China."

The Prime Minister of Ceylon visited Washington in December as the guest of the U.S. Government. He was entertained by the President and the Secretary of State and conferred with a number of other top level U.S. Government officials. There is every evidence that he thoroughly enjoyed his visit. (Also see Summary of Major Actions)

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